



City Employee Compensation Analysis

(Part 3 of 4)

The "Million Dollar Circle"

Excessive Payouts and Allowances in the City Retirement System

February 11, 2009

A Report by

Councilmember Carl DeMaio
(District 5)

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Summary of Key Findings

Finding 1: Million Dollar Payouts Being Generated in the DROP Program

Five individuals have received lump sum payouts of over \$1 million from the DROP program. Additionally, 3 city managers would receive \$1 million payouts when their SPSP 401(k) balances are added to their DROP figures.

SPSP is a 401(k) – style defined contribution plan offered to City employees in 1981 to cover benefit losses when the City opted out of Social Security. The program has since been eliminated for new City hires because employee retirement benefits have increased so much in value that the City no longer has to cover the Social Security loss.

The DROP program allows employees to “Double Dip” to bank retirement payouts at 8% compound interest for five years while continuing to draw a City paycheck.

“Million Dollar Circle”

Largest DROP Payments Made

Asst. City Attorney	\$1,118,992
Personnel Director	\$1,024,144
Assistant City Manager	\$1,012,379
Deputy City Attorney	\$1,003,111
Fire Battalion Chief	\$1,003,071

**Names have been redacted and replaced with highest position title held.*

***Figures do not include SPSP cash balances which would increase membership in the Million Dollar Circle to include the former Department Director, Investment Officer, and a Deputy City Attorney.*

Finding 2: \$333 Million in DROP Account Values – Reduction of \$250 – \$350 Million in Pension Debt If DROP Interest Rate is Reduced

Table 1: DROP Activity Through December 31, 2008

Source: SDCERS

Total Accounts: DROP Active and Retired, Funds Left on Account				1774			
Total Deposits: DROP Active and Retired, Funds Left on Account				\$333,532,359.90			
Drop Active Members				DROP Retired Members, Funds Left on Account			
Plan	Count	Balance	Avg. Balance	Plan	Count	Balance	Avg. Balance
Legislature	0	\$0.00		Legislature	1	\$41,956.03	\$41,956.03
General	576	\$59,884,925.37	\$103,966.88	General	413	\$65,113,080.35	\$157,658.79
Safety Lifeguard	6	\$1,578,107.17	\$263,017.86	Safety Lifeguard	4	\$677,489.20	\$169,372.30
Safety Police	219	\$43,066,439.60	\$196,650.41	Safety Police	176	\$53,412,291.14	\$303,478.93
Safety Fire	152	\$39,867,046.65	\$262,283.20	Safety Fire	170	\$62,074,486.77	\$365,144.04
UPD Safety	5	\$683,588.11	\$136,717.62	UPD Safety	5	\$1,023,956.86	\$204,791.37
UPD General	29	\$4,508,577.50	\$155,468.19	UPD General	10	\$889,254.22	\$88,925.42
APA General	7	\$563,024.29	\$80,432.04	APA General	1	\$148,136.64	\$148,136.64
Total DROP Active	994	\$150,151,708.69	\$151,058.06	Total DROP Retired	780	\$183,380,651.21	\$235,103.40

Table 1 displays the values of all active and retired member DROP accounts. The average retiree in the DROP program has a balance of \$235,103.40. Should the pension board reduce the DROP rate to a sustainable 4% rate of return from the current 7.75%, the City can realize savings from \$3 - \$4 million for FY 2011. Additionally, the City's unfunded liability (UAL) can be reduced by \$250 - \$350 million by FY 2012 as a result of the DROP interest rate reduction.

Finding 3: Six Figure Retirement Allowances

The highest annual allowance was \$165,870, paid to a former deputy city manager. 86 of the top 100 pensions paid in 2008 were for \$100,000 or more. This pension payout does not include a second pension – called SPSP – where the employee could have contributed up to 6% of annual salary while receiving a match from taxpayers. Benchmarking this benefit with the S&P 500 reveals an SPSP account worth \$484,000 - \$969,000 upon retirement in 2005.¹

Finding 4: \$2 Billion in Pension Debt – 1,475% Increase Since FY 1998

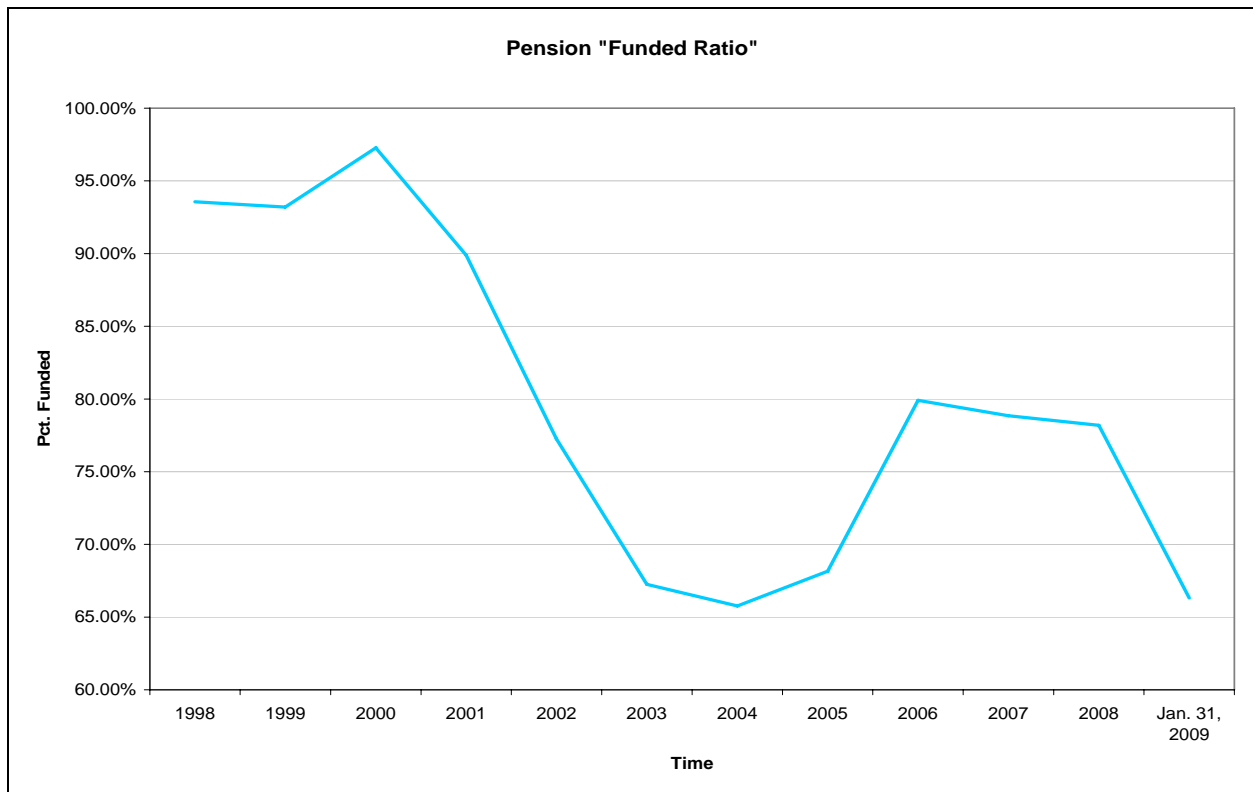
Factoring in recent investment losses, as of January 31, 2009, the City's pension plan is now underfunded by more than \$2 billion. This equates to a funded ratio of 66.3%. The pension debt (UAL) has increased dramatically over time, as the bar chart below displays. Note that the current pension deficit of more than \$2 billion represents a 1,475% increase since 1998.

UAL and Funded Ratio (\$ in billions)					
	June 30, 2007	June 30, 3008	December 31, 2008	January 31, 2009	
Actuarial Liability	\$5.598	\$5.964	\$5.964	\$5.964	
Actuarial Value of Assets	\$4.413	\$4.663	\$4.179	\$3.955	
Market Value of Assets	\$4.641	\$4.420	\$3.482	\$3.296	
Unfunded Actuarial Liability	\$1.184	\$1.301	\$1.785	\$2.009	
Funded Ratio	78.8%	78.2%	70.1%	66.3%	

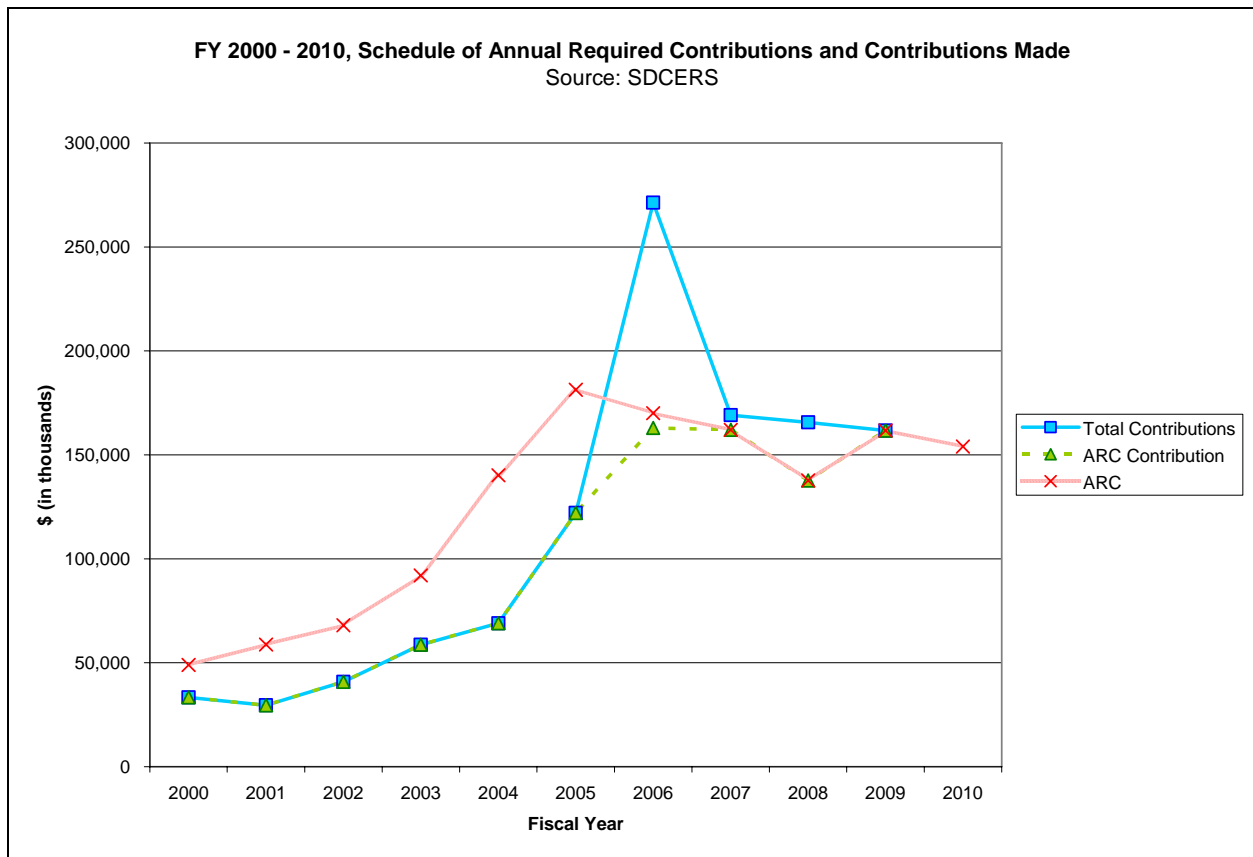
¹ See "Finding 5" For additional calculation detail.



Accordingly, the “Funded Ratio” of the City’s pension system has also decreased significantly over time.



The graph below displays the liability created by the City's pension system since 2000. Given the growth of the UAL, even more pressure will be placed on the City's General Fund in the coming years from the pension system.



As the City's pension debt increases, so do the required annual payments. These increased payments for the pension require increased revenues or offsetting cuts elsewhere in the City budget.

Year	Pension Contributions (in thousands)
2000	\$33,288
2001	\$29,567
2002	\$40,862
2003	\$58,650
2004	\$69,002
2005	\$122,089
2006	\$271,349
2007	\$169,126
2008	\$165,581
2009	\$161,700

Finding 5: Earning More in Retirement than During Employment: a Case Study

By applying some simple assumptions regarding annual salary growth, the ability of City employees to earn richer retirement benefits than salaries and wages becomes clear. The Table below displays a modeling of retirement benefits for a Deputy Library Director position, using actual salary data from FY 1982 (chosen because SPSP began in 1981) and FY 2009.

Deputy Library Director	
Fiscal Year	Wage
1982	\$29,400
2009	\$113,359
Annual % Change	5.13%

In order to model the value of the SPSP benefit, the employee was assumed earn a constant salary increase over the course of their career, which comes to 5.13% when taking the two “end values” for years 1982 and 2009.

A range of potential SPSP benefit value is provided by using historical S&P 500 data to track annual investment returns under a 3% contribution scenario and a 6% contribution scenario. The accumulated value range of the employee’s SPSP benefit (depending on the contribution of 3 – 6% that taxpayers match) from 1981 – 2008 is equal to \$291,106.94 - \$582,213.87.

On top of the SPSP benefit, the employee would receive an annual pension benefit of 100.2% of their highest annual salary.² In this case, 100.2% of \$113,359 is equivalent to an annual allowance of \$113,585.21 if the employee did not enroll in DROP. If the employee did enroll in DROP for their last 5 years of work, they would earn 100.2% of their 2004 salary (\$92,816.15), or an annual allowance of \$93,001.78. Note that this retirement allowance is adjusted for Cost of Living every year.

Finally, if the employee had enrolled in DROP for their final 5 years of work, they would have a DROP Account value of \$589,253 after earning 8% annual interest.

Summary of Retirement Benefits	
Deputy Library Director Working 27 Years (FY 1982 - FY 2009)	
Highest Annual Salary	\$113,359
Annual Pension Payout (No DROP)	\$113,585.21
Annual Pension Payout (DROP)	\$92,816.15
5 Year, 8% DROP Account Value (Lump Sum)	\$589,253
SPSP Investment Balance (3% - 6% Contributions)	\$291,106 - \$582,213

² Mercer Analysis of General Member Retirement Benefits, assuming an age of hire of 35 and a retirement age of 62 (27 years of work).



Mark A. Hovey
Chief Financial Officer

February 6, 2009

Councilmember Carl DeMaio
City of San Diego, 5th District
City Administration Building
202 C Street, 10th Floor
San Diego, CA 92101

Re: Your January 29, 2008 [sic] benefit payout data request

Dear Councilmember DeMaio:

The following items respond to the requests in your January 29 letter to David Wescoe:

- For 2008, the total retirement allowances paid for the top 100 beneficiaries (Enclosure A).
- Benefit payouts for each individual legislative official in annual values for 2008 (Enclosure B).
- A listing and value of the top 20 DROP accounts since the inception of the program (Enclosure C).
- The total dollar value of all DROP accounts currently held at SDCERS (Enclosure D).
- The total number of individuals with current DROP accounts, which will allow for the computation of an average DROP value account when combined with the above bullet item (Enclosure D).

Please let me know if you need any additional information or have any questions about the enclosed information.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Hovey", is written over the word "Sincerely,".

Mark A. Hovey

Enclosures

cc: Thomas C. Hebrank
Ben Hueso, Council President
David B. Wescoe

2008 Retirement Allowance Paid - City of San Diego
Top 100

LAST NAME	FIRST NAME	Retirement Allowance Paid
-----------	------------	---------------------------

[REDACTED]	[REDACTED]	\$165,870
------------	------------	-----------

[REDACTED]	[REDACTED]	\$164,962
------------	------------	-----------

[REDACTED]	[REDACTED]	\$158,626
------------	------------	-----------

[REDACTED]	[REDACTED]	\$158,595
------------	------------	-----------

[REDACTED]	[REDACTED]	\$157,715
------------	------------	-----------

[REDACTED]	[REDACTED]	\$147,541
------------	------------	-----------

[REDACTED]	[REDACTED]	\$145,875
------------	------------	-----------

[REDACTED]	[REDACTED]	\$142,663
------------	------------	-----------

[REDACTED]	[REDACTED]	\$137,454
------------	------------	-----------

[REDACTED]	[REDACTED]	\$137,317
------------	------------	-----------

[REDACTED]	[REDACTED]	\$136,553
------------	------------	-----------

[REDACTED]	[REDACTED]	\$135,617
------------	------------	-----------

[REDACTED]	[REDACTED]	\$134,914
------------	------------	-----------

[REDACTED]	[REDACTED]	\$133,078
------------	------------	-----------

[REDACTED]	[REDACTED]	\$131,319
------------	------------	-----------

[REDACTED]	[REDACTED]	\$129,708
------------	------------	-----------

[REDACTED]	[REDACTED]	\$129,415
------------	------------	-----------

[REDACTED]	[REDACTED]	\$129,173
------------	------------	-----------

[REDACTED]	[REDACTED]	\$129,072
------------	------------	-----------

[REDACTED]	[REDACTED]	\$127,443
------------	------------	-----------

[REDACTED]	[REDACTED]	\$127,438
------------	------------	-----------

[REDACTED]	[REDACTED]	\$126,646
------------	------------	-----------

[REDACTED]	[REDACTED]	\$126,485
------------	------------	-----------

[REDACTED]	[REDACTED]	\$126,147
------------	------------	-----------

[REDACTED]	[REDACTED]	\$125,807
------------	------------	-----------

[REDACTED]	[REDACTED]	\$125,289
------------	------------	-----------

[REDACTED]	[REDACTED]	\$122,597
------------	------------	-----------

[REDACTED]	[REDACTED]	\$122,269
------------	------------	-----------

[REDACTED]	[REDACTED]	\$121,103
------------	------------	-----------

[REDACTED]	[REDACTED]	\$120,589
------------	------------	-----------

[REDACTED]	[REDACTED]	\$119,410
------------	------------	-----------

[REDACTED]	[REDACTED]	\$119,039
------------	------------	-----------

[REDACTED]	[REDACTED]	\$118,791
------------	------------	-----------

[REDACTED]	[REDACTED]	\$118,757
------------	------------	-----------

[REDACTED]	[REDACTED]	\$118,308
------------	------------	-----------

[REDACTED]	[REDACTED]	\$118,119
------------	------------	-----------

[REDACTED]	[REDACTED]	\$118,056
------------	------------	-----------

[REDACTED]	[REDACTED]	\$117,851
------------	------------	-----------

[REDACTED]	[REDACTED]	\$117,810
------------	------------	-----------

[REDACTED]	[REDACTED]	\$117,291
------------	------------	-----------

[REDACTED]	[REDACTED]	\$117,078
------------	------------	-----------

[REDACTED]	[REDACTED]	\$116,543
------------	------------	-----------

[REDACTED]	[REDACTED]	\$115,669
------------	------------	-----------

[REDACTED]	[REDACTED]	\$115,538
------------	------------	-----------

[REDACTED]	[REDACTED]	\$115,506
------------	------------	-----------

[REDACTED]	[REDACTED]	\$115,321
------------	------------	-----------

2008 Retirement Allowance Paid - City of San Diego
Top 100

LAST NAME	FIRST NAME	Retirement Allowance Paid
[REDACTED]	[REDACTED]	\$115,266
[REDACTED]	[REDACTED]	\$115,199
[REDACTED]	[REDACTED]	\$114,237
[REDACTED]	[REDACTED]	\$113,307
[REDACTED]	[REDACTED]	\$111,744
[REDACTED]	[REDACTED]	\$111,588
[REDACTED]	[REDACTED]	\$111,481
[REDACTED]	[REDACTED]	\$111,289
[REDACTED]	[REDACTED]	\$110,559
[REDACTED]	[REDACTED]	\$110,296
[REDACTED]	[REDACTED]	\$110,144
[REDACTED]	[REDACTED]	\$110,014
[REDACTED]	[REDACTED]	\$109,584
[REDACTED]	[REDACTED]	\$109,407
[REDACTED]	[REDACTED]	\$109,078
[REDACTED]	[REDACTED]	\$109,064
[REDACTED]	[REDACTED]	\$108,852
[REDACTED]	[REDACTED]	\$108,438
[REDACTED]	[REDACTED]	\$107,315
[REDACTED]	[REDACTED]	\$107,250
[REDACTED]	[REDACTED]	\$107,139
[REDACTED]	[REDACTED]	\$106,730
[REDACTED]	[REDACTED]	\$105,911
[REDACTED]	[REDACTED]	\$105,728
[REDACTED]	[REDACTED]	\$105,617
[REDACTED]	[REDACTED]	\$104,488
[REDACTED]	[REDACTED]	\$104,153
[REDACTED]	[REDACTED]	\$103,770
[REDACTED]	[REDACTED]	\$103,632
[REDACTED]	[REDACTED]	\$103,395
[REDACTED]	[REDACTED]	\$103,021
[REDACTED]	[REDACTED]	\$103,019
[REDACTED]	[REDACTED]	\$102,939
[REDACTED]	[REDACTED]	\$102,234
[REDACTED]	[REDACTED]	\$102,093
[REDACTED]	[REDACTED]	\$101,669
[REDACTED]	[REDACTED]	\$100,586
[REDACTED]	[REDACTED]	\$100,136
[REDACTED]	[REDACTED]	\$100,120
[REDACTED]	[REDACTED]	\$100,036
[REDACTED]	[REDACTED]	\$99,895
[REDACTED]	[REDACTED]	\$99,673
[REDACTED]	[REDACTED]	\$99,384
[REDACTED]	[REDACTED]	\$99,241
[REDACTED]	[REDACTED]	\$99,221
[REDACTED]	[REDACTED]	\$98,951

2008 Retirement Allowance Paid - City of San Diego
Top 100

LAST NAME	FIRST NAME	Retirement Allowance Paid
[REDACTED]	[REDACTED]	\$98,933
[REDACTED]	[REDACTED]	\$98,749
[REDACTED]	[REDACTED]	\$98,388
[REDACTED]	[REDACTED]	\$98,242
[REDACTED]	[REDACTED]	\$97,701
[REDACTED]	[REDACTED]	\$97,624
[REDACTED]	[REDACTED]	\$97,471
[REDACTED]	[REDACTED]	\$97,408

**2008 Benefit Payouts - City of San Diego
Elected Officials**

LAST NAME	FIRST NAME	Benefit Payout
Golding	Susan	\$48,533
Gwinn	Casey	\$94,988
Hartley	John	\$8,511
Henderson	J Bruce	\$7,454
Inzunza	Ralph	\$23,162
Kehoe	Christine	\$30,951
Killea	Lucy	\$5,350
Martinet	Robert	\$4,140
Mathis	Harry	\$28,644
Mccarty	Judy	\$49,073
Mccoll Powell	Gloria	\$16,072
Mitchell	William	\$6,734
Morrow	Floyd	\$9,214
Murphy	Richard	\$52,441
O'Connor	Maureen	\$38,030
Schaefer	J Michael	\$1,890
Stallings	Valerie	\$22,082
Struiksma	Edward	\$27,326
Vargas	Juan	\$18,758
Warden	Barbara	\$16,353
Wear	Byron	\$18,302
Williams	Leon	\$18,489
Wolfsheimer	Abbe	\$26,990
Zucchet	Michael	\$14,475

DROP Account Balances Since Inception of Program
Top 20

LAST NAME	FIRST NAME	Drop Account
Gordon	Eugene	\$ 1,118,992.15
Shawyer	Richard	\$ 1,024,144.35
Devlin	George	\$ 1,012,379.30
Wall	Stan	\$ 1,003,110.76
Clark	Thomas	\$ 1,003,070.51
Waller	Robert	\$ 922,045.95
Miller	John	\$ 904,061.66
Wright	Deanna	\$ 884,523.77
Johnson	Anna	\$ 864,187.62
Adams	Robert	\$ 816,375.87
McCall	Angela	\$ 815,730.39
Smith	William	\$ 749,105.22
Wall	Edward	\$ 739,301.85
McCall	Edward	\$ 733,832.19
Malone	Peter	\$ 732,426.09
Wright	John	\$ 715,007.45
Wright	John	\$ 711,839.87
Wright	John	\$ 703,283.88
Wright	John	\$ 697,479.41
Wright	Michael	\$ 695,514.49

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SDCERS BOARD MEETING
FRIDAY, JANUARY 23, 2009
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E. DROP ACTIVITY THROUGH DECEMBER 31, 2008


TOTAL ACCOUNTS: DROP ACTIVE AND RETIRED, FUNDS LEFT ON ACCOUNT 1,774					
TOTAL DEPOSITS: DROP ACTIVE AND RETIRED, FUNDS LEFT ON ACCOUNT \$333,532,359.90					
DROP ACTIVE MEMBERS			DROP RETIRED MEMBERS, FUNDS LEFT ON ACCOUNT		
PLAN	COUNT	BALANCE	PLAN	COUNT	BALANCE
LEGISLATURE	0	\$0.00	LEGISLATURE	1	\$41,858.03
GENERAL	576	\$59,884,825.37	GENERAL	413	\$65,113,080.35
SAFETY LIFEGUARD	6	\$1,578,107.17	SAFETY LIFEGUARD	4	\$677,489.20
SAFETY POLICE	219	\$43,086,439.60	SAFETY POLICE	176	\$53,412,291.14
SAFETY FIRE	152	\$39,867,046.65	SAFETY FIRE	170	\$82,074,486.77
UPD SAFETY	5	\$683,588.11	UPD SAFETY	6	\$1,023,956.88
UPD GENERAL	29	\$4,508,577.50	UPD GENERAL	10	\$889,254.22
APA GENERAL	7	\$563,024.29	APA GENERAL	1	\$148,136.64
TOTAL DROP ACTIVE	994	\$150,151,708.69	TOTAL DROP RETIRED	780	\$183,380,651.21

THE CITY OF SAN DIEGO
MAYOR JERRY SANDERS

M E M O R A N D U M

DATE: February 11, 2009

TO: Honorable Mayor Jerry Sanders, Council President Hueso and Members of the City Council

FROM: Jay M. Goldstone, Chief Operating Officer 

SUBJECT: Monthly Pension Update

Given the current market volatility and out of an abundance of caution, I will be providing you with a monthly update regarding the impact changes in SDCERS plan assets are having on the City's Pension Plan and the potential budget implications. This information is for illustrative purposes only and is not required to be disclosed. To the best of my knowledge no other public agency is doing this; however, so long as the market continues to show large swings in gains and losses I will provide you with this information.

This will provide you with a general guide as to trends and possible budget impacts and will be distributed approximately 14 days following the end of each month in order to provide SDCERS with time to obtain market and actuarial information.

I want to stress that the actual budget impact to the City will be based upon the market value of plan assets as of June 30 of each year.

This information will also be posted on the City's website under the Investor web page.

Attachment

Cc: Jan Goldsmith, City Attorney
Mary Lewis, Chief Financial Officer
Lakshmi Kommi, Director of Debt Management
Andrea Tevlin, Independent Budget Analyst
Stan Keller, SEC Consultant

Monthly Pension Update

Global financial markets have experienced significant volatility over the last several months, with a significant decline in market value since September 2008. This volatility has had a negative impact on the San Diego City Employees' Retirement System's (SDCERS) portfolio. Although the actual impact on the *actuarial* value of SDCERS' plan assets cannot be determined without an official actuarial valuation, which occurs as of June 30 each year, SDCERS will be providing to the City the unaudited *market* values of plan assets and the recalculated pro forma actuarial value as of the end of each month. The market value represents, as of the date specified, the value of the plan assets if they were to be liquidated on that date. Unlike the market value, the actuarial value of plan assets is used to smooth the impact of annual investment return performance over multiple years, thereby reducing the impact of annual investment volatility on the City's Annual Required Contribution ("ARC"). Investment earnings is one component that impacts the ARC each year. Because the actuarial value as of June 30, 2009 will be used in determining the City's ARC for fiscal year 2011 (July 1, 2010 through June 30, 2011), the intervening market values are not determinative to that calculation. Nevertheless, the City believes that it may be useful to the investment community to be apprised of the monthly market values during this period of market instability. The chart that follows shows, for the City's portion of the SDCERS' plan, (i) information as of June 30, 2007 and June 30, 2008 (the date of the latest available actuarial information), including the funded ratio of plan assets to the actuarial liability, (ii) the market value of plan assets as of January 31, 2009, (iii) the actuarial valuation of plan assets as recalculated by SDCERS' actuary had the January 31, 2009 market value been the market value as of June 30, 2008, and (iv) the funded ratio as if this recalculated actuarial value had been the actuarial value on June 30, 2008.

UAL and Funded Ratio
(\$ in billions)

	<u>Jun. 30, 2007¹</u>	<u>Jun. 30, 2008²</u>	<u>Jan. 31, 2009</u>
Actuarial Liability	\$5.598	\$5.964	\$5.964 ³
Actuarial Value of Assets	\$4.413	\$4.663	\$3.955
Market Value of Assets	\$4.641	\$4.420	\$3.296 ⁴
Unfunded Actuarial Liability	\$1.184	\$1.301	\$2.009
Funded Ratio ⁵	78.8%	78.2%	66.3%

1. Source: June 30, 2007 Actuarial Valuation for the City of San Diego, Produced by Cheiron (Feb. 2008).
2. Source: June 30, 2008 Actuarial Valuation for the City of San Diego, Produced by Cheiron (Dec. 2008).
3. For illustrative purposes only and because the Actuarial Liability is only updated as of June 30 each year, the City is carrying forward the June 30, 2008 amount to January 31, 2009.
4. This is an approximation of the City of San Diego's portion of total plan assets.
5. Funded Ratio, within the meaning of Governmental Accounting Standards Board No. 27 (Nov. 1994), is equal to Actuarial Value of Assets divided by Actuarial Liability.

A decline in the market value of SDCERS' plan assets would have the effect of increasing the ARC. For example (all other factors being constant), if the market value at January 31, 2009 shown in the table above had been the market value as of June 30, 2008, the ARC forecast for fiscal year 2010 would increase by an approximate range of \$22.8 million to \$61.7 million from the \$154.2 million that has been calculated by the SDCERS' actuary (this excludes the portion of employee contributions the City is contractually obligated to pay, which was approximately \$18.27 million in fiscal year 2007). The difference in the range of increase depends on the actuarial method of smoothing used by SDCERS. The actual ARC in any year will depend on various factors, such as approved salary increases, mortality experience, retirement experience and actual market performance measured as of June 30 of the applicable year.

Actuarial Assumptions. The following are the principal actuarial assumptions used by SDCERS' actuary in preparing the valuation as of June 30, 2008 (as modified to reflect the adoption by SDCERS' Board of new actuarial assumptions effective June 30, 2008 based upon an experience study prepared by SDCERS' actuary):

1. Investment Return Rate: 7.75% a year, net of administrative expenses, compounded annually. The rate is comprised of two elements: a 4.00% inflation rate and a 3.75% real rate of return.
2. Inflation Rate: 4.00% a year, compounded annually.
3. Interest credited to member contributions: 7.75%, compounded annually.
4. Salary increase rates: 4.50% a year, comprised of a 4.00% inflation rate and a 0.50% merit and longevity component.
5. Annual Cost-of-Living Adjustment: 2% per year, compounded annually.
6. Additional Assumptions: additional assumptions were used regarding rates of separation from active membership, post-retirement mortality, active member mortality, and rates of retirement.

MERCER

City of San Diego
General Members - Summary of Retirement Plan Design Alternatives

	Current Plan	FY 2009 Labor Negotiations	Reform Plan (General Members)	Reform Plan (Mayor, Council, 20 & Senior Managers*)
Defined Benefit Multiplier				
Age 67	2.80%	2.60%	1.50%	0%
Age 65	2.80%	2.60%	1.21%	0%
Age 62	2.65%	2.24%	0.89%	0%
Age 60	2.55%	2.00%	NA	0%
Age 55	2.50%	1.00%	NA	0%
Defined Benefit Cap	90%	80%	80%	NA
Years in Final Average Compensation	1	3	3	NA
Defined Benefit Member Rate	10.07%	7.43%	3.78%	0%
Defined Benefit Death and Disability Benefits	SDCERS	Revised III	Revised III	Revised III
Defined Contribution City Rate	6.05%	1.25%	3.00%	6.00%
Defined Contribution Member Rate	6.05%	1.25%	3.00%	6.00%
Income Replacement Ratio				
Age at Hire for Illustrative Member	35	35	35	35
Retire at Age 67				
Defined Benefit	89.6%	76.4%	45.9%	0%
Defined Contribution	39.9%	10.8%	25.9%	XX%
TOTAL	129.5%	87.2%	71.8%	XX%
Retire at Age 65				
Defined Benefit	84.0%	74.5%	34.7%	0%
Defined Contribution	35.0%	9.2%	22.1%	XX%
TOTAL	119.0%	83.7%	56.8%	XX%
Retire at Age 62				
Defined Benefit	71.6%	57.8%	23.0%	0%
Defined Contribution	28.6%	7.2%	17.4%	XX%
TOTAL	100.2%	65.0%	40.4%	XX%
Retire at Age 60				
Defined Benefit	63.8%	47.8%	NA	NA
Defined Contribution	25.0%	6.2%	NA	NA
TOTAL	88.8%	54%	NA	NA
Retire at Age 55				
Defined Benefit	50.0%	19.1%	NA	NA
Defined Contribution	17.0%	4.1%	NA	NA
TOTAL	67.0%	23.2%	NA	NA
Member Contribution Rates				
Defined Benefit	10.07%	7.43%	3.78%	0%
Defined Contribution	6.05%	1.25%	3.00%	6%
TOTAL MEMBER	16.12%	8.68%	6.78%	6%
City Contribution Rates				
Defined Benefit	10.07%	7.43%	3.78%	0%
Defined Contribution	6.05%	1.25%	3.00%	6%
TOTAL CITY	16.12%	8.68%	6.78%	6%
Projected Annual Long-Term Savings (millions)				
Defined Benefit City Savings	NA	\$8.5	\$XX.X	\$X.X
Defined Contribution City Savings	NA	\$15.4	\$XX.X	\$.X
Pre-65 LTD Program	NA	(1.1)	(\$1.1)	(-X)
TOTAL ANNUAL SAVINGS:	NA	\$22.8	\$XX.X	\$X

* Mayor would identify up to 20 senior managers that would be involved in the analysis or negotiation of pension benefits. To eliminate conflicts of interest, those 20 managers would have to enroll in the defined contribution pension plan.